

## Message Text

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PAGE 01 STATE 162738  
ORIGIN NEA-10

INFO OCT-01 ISO-00 EB-07 SS-15 NSC-05 ERDA-05 AID-05  
CEA-01 CIAE-00 COME-00 EPG-02 DODE-00 FEAE-00  
FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 OMB-01  
PM-04 USIA-06 OES-07 SP-02 STR-04 TRSE-00 ACDA-07  
PA-01 PRS-01 SSO-00 /101 R

DRAFTED BY NEA:ALATHERTON, JR./HLK  
APPROVED BY NEA - ALFRED L. ATHERTON, JR.  
EB:SBOSWORTH  
E:MR. ROSS  
WH - MR. SCHLESINGER  
S/S-O RPER??O  
RPERITO  
NSC; QUANDT

-----038749 131725Z /43

P 131646Z JUL 77  
FM SECSTATE WASHDC  
TO AMEMBASSY ALGIERS PRIORITY

C O N F I D E N T I A L STATE 162738

E.O. 11652: GDS

TAGS:ENRG, AG, US

SUBJECT: ALGERIAN PROPOSAL ON STABILIZING OIL PRICES

1. MIKE FORRESTAL WITH SHEARMAN AND STERLING CALLED ASSISTANT SECRETARY ATHERTON TO CONVEY THE FOLLOWING WHICH HAD BEEN PASSED TO HIM BY FRANK SCHULTZ, CONSULTANT TO ALGERIAN MINISTER OF ENERGY AND PETROCHEMICALS. MINISTER GHOZALI HAD ASKED SCHULTZ ABOUT THREE WEEKS AGO TO GET WORD TO USG THAT HE WAS INTERESTED IN KNOWING IF USG WOULD BE INTERESTED IN AN ARRANGEMENT DESIGNED TO BRING ABOUT A PERIOD OF STABILIZED OIL PRICES, PROVIDING SUCH ARRANGE-  
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MENT WERE ACCEPTED BY OPEC. THE ARRANGEMENT HE HAD IN MIND WOULD BE THAT FOR A 3-4 YEAR PERIOD INCREASES IN OIL PRICES WOULD BE INDEXED JUST BELOW THE WEIGHTED AVERAGE OF PRICE INFLATION IN INDUSTRIAL COUNTRIES. (FORRESTAL SAID HE ASSUMED THIS MEANT OECD COUNTRIES.) ILLUSTRATIVELY, WHAT THIS WOULD MEAN IS THAT IF PRICES IN INDUSTRIAL COUNTRIES ROSE 6-8 PERCENT, OIL PRICES

WOULD INCREASE 5 PERCENT; IF FORMER ROSE 8-10 PERCENT, OIL PRICES WOULD INCREASE 7 PERCENT; ETC. GHOZALI HAD EMPHASIZED THAT FOREGOING WAS ONLY ILLUSTRATIVE BUT HE WANTED TO KNOW WHETHER USG

THOUGHT THIS PRINCIPLE MADE SENSE. HE WAS NOT PROMISING IT WOULD BE ACCEPTABLE IN OPEC, BUT HIS IDEA WAS MOTIVATED BY ALGERIA'S NEED TO HAVE A BETTER BASIS FOR PLANNING, WHICH HE BELIEVED WOULD ALSO BE DESIRABLE FOR THE INDUSTRIAL COUNTRIES. AT SAME TIME HE BELIEVED THERE SHOULD BE A PERIOD DURING WHICH OPEC'S RATE OF INCREASE WAS SLIGHTLY BELOW THE RATE OF PRICE INFLATION IN INDUSTRIAL COUNTRIES, AND THIS WAS THE BASIS FOR THE IDEA HE HAD PUT TO SCHULTZ.

2. FORRESTAL SAID HE BELIEVED THIS QUESTION SHOULD BE PUT INTO OFFICIAL GOVERNMENT CHANNELS AND WAS THEREFORE PASSING IT ON TO DEPARTMENT. HE WOULD GET WORD TO MINISTER OF ENERGY AND PETROCHEMICALS THAT HIS MESSAGE HAD BEEN DELIVERED AND SUGGEST THAT MINISTER OR HIS DEPUTY FOLLOW UP WITH AMBASSADOR HAYNES. FORRESTAL THOUGHT IT BETTER, AND THE DEPARTMENT AGREES, THAT AMBASSADOR NOT TAKE THE INITIATIVE TO PURSUE THIS IDEA BUT WAIT AND SEE IF HE IS APPROACHED BY ALGERIANS.

3. FYI. IF YOU ARE APPROACHED ON THIS IDEA, YOU SHOULD  
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OF COURSE LISTEN AND REPORT BUT AVOID ANY INDICATION OF WHAT U.S. REACTION WOULD BE. END FYI. VANCE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977STATE162738  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** ALATHERTON, JR./HLK  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
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**Litigation History:**  
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**Office:** ORIGIN NEA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
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**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
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**Status:** NATIVE  
**Subject:** ALGERIAN PROPOSAL ON STABILIZING OIL PRICES  
**TAGS:** ENRG, AG, US, OPEC  
**To:** ALGIERS  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
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22 May 2009  
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